

Message Text

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TAGS: EAID EG IR US

SUBJECT: IRANIAN ECONOMIC HELP FOR EGYPT

IN CY 1975

REF: CAIRO 13051

1. I ASKED IRANIAN AMBASSADOR KHOSRAVANI LAST NIGHT ABOUT STATUS GOI ECONOMIC ASSISTANCE FOR EGYPT. RECALLING THE OVERALL COMMITMENT OF \$1 BILLION PLUS MADE IN 1974 AND HIS COMMENT OF A FEW DAYS AGO THAT A \$200 MILLION CASH PAYMENT HAD JUST BEEN MADE, I ASKED HOW MUCH GOE HAS DRAWN DOWN ON THE IRANIAN COMMITMENT.

2. KHOSRAVANI NOTED THE ORIGINAL IRANIAN COMMITMENT HAD BEEN IN FIVE SEPARATE CATEGORIES EACH WITH A SPECIFIC ALLOCATION: ASSISTANCE FOR DEVELOPMENT OF PORT SAID AND SURROUNDING AREA (\$250 MILLION), TEXTILES (\$70 MILLION), FERTILIZERS (\$150 MILLION), COMMODITY IMPORTS (\$100 MILLION) AND JOINT INDUSTRIAL COMPANY (\$10 MILLION). IRANIAN MINFINANCE ANSARI, WHEN NEGOTIATING THE INITIAL AID COMMITMENT, HAD OBJECTED TO THE AMOUNTS. KHOSRAVANI CLAIMS HE HAD ADVISED ANSARI TO ACCOMMODATE EGYPTIANS IN THE ALLOCATIONS FOR EACH CATEGORY SINCE HE WAS CERTAIN
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GOE WOULD NOT BE ABLE TO DRAW DOWN THESE AMOUNTS

IN 1975. THIS HAS INDEED BEEN THE CASE. SOME FUNDS HAVE BEEN USED FOR PLANNING OF PORT SAID AND SOME 400 IRANIAN BUSES HAVE BEEN BOUGHT. IN ALL OTHER CATEGORIES THE EGYPTIANS HAVE AS YET BEEN UNABLE TO COME UP WITH THE PLANS FOR SPECIFIC PROJECTS, ALTHOUGH THERE ARE SIGNS THAT SPINNING MILL AND OTHER FACETS OF DEVELOPMENT OF PORT SAID AREA ARE BEGINNING TO MOVE FORWARD INTO EARLY STAGES OF ACTIVITY.

3. SO FAR AS LIQUID CASH IS CONCERNED, KHOSRAVANI COMMENTED THAT \$100 MILLION HAD BEEN PROVIDED ABOUT FIVE MONTHS AGO. THIS, TOGETHER WITH THE RECENT \$200 MILLION, MAKES A TOTAL OF \$300 MILLION CASH RECEIVED BY EGYPT FROM IRAN IN '75. HE INSISTS THERE HAS BEEN NO OTHER CASH CONTRIBUTIONS.

4. ALL IN ALL, ACCORDING TO KHOSRAVANI, ONLY ABOUT ONE-THIRD OF THE IRANIAN ECONOMIC COMMITMENT HAS BEEN DRAWN DOWN. THE REMAINING TWO-THIRDS ARE BEING CARRIED OVER INTO 1976. HAD EGYPT BEEN IN A POSITION TO DRAW DOWN LARGER INCREMENTS OF THE IRANIAN ECONOMIC COMMITMENTS, IT WOULD PROBABLY HAVE BEEN ABLE TO GET SOME ADDITIONAL IRANIAN HELP IN 1976. IN VIEW OF THE LARGE OUTSTANDING BALANCE, GOE SEES NO NEED FOR NEW ASSISTANCE.

5. IN ANY CASE, KHOSRAVANI NOTED, IRAN IS EXPERIENCING FINANCIAL STRINGENCIES OF ITS OWN AND IS NOT LIKELY TO BE ABLE TO PROVIDE LARGE AMOUNTS OF ADDITIONAL ECONOMIC AID TO EGYPT THIS YEAR, ESPECIALLY CASH.

6. COMMENT: PROBLEM IN UTILIZING PROJECT-ORIENTED AID IS ENDEMIC IN EGYPT, AND EVERY DONOR PROVIDING SUCH ASSISTANCE COULD MAKE SAME POINT AS IRANIANS. THIS IS IMPORTANT POINT TO BEAR IN MIND WHEN CONSIDERING EGYPT'S NEEDS, SINCE ABOUT 60 PERCENT OF AID ANNOUNCED SINCE OCT '73 HAS BEEN IN FORM OF PROJECTS, AND THEN LARGELY UNUSED AND UNUSABLE IN SHORT RUN. EILTS

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